

**SECTION 232 -- WHAT DOES THE ANNUAL PROGRAM PERFORMANCE REPORT
CONTAIN?**

232.1 The required elements of an annual program performance report.

Summary of Requirement: An annual report must compare actual performance with the projected levels of performance set out in an annual performance plan. When a projected performance level is not met, the report includes an explanation for not achieving a goal(s), and describes steps for meeting the goal(s) in the future. The report also assesses the effect of past year performance on current year performance levels, and the completeness and reliability of performance data. Annual reports for fiscal year 2000 and subsequent years will progressively cover additional years until the annual report contains at least four years of actual performance information.

Your annual report must include the following elements:

- A comparison of your actual performance with the projected levels of performance as set out in the performance goals in your annual performance plan (see section 232.4);
- An explanation, where a performance goal was not achieved, for why the goal was not met (see section 232.6);
- A description of the plans and schedules to meet an unmet goal in the future, or alternatively, your recommended action regarding an unmet goal where you have concluded it is impractical or infeasible to achieve that goal (see section 232.7);
- An evaluation of your performance plan for the current fiscal year, taking into account the actual performance achieved in the fiscal year covered by your report (see section 232.8);
- Eventually, actual performance information for at least four fiscal years (see section 232.9); and
- An assessment of the reliability and completeness of the performance data included in the report (see section 232.10).

232.2 Other features of the annual program performance report.

Summary of Requirements: When applicable, the annual report summarizes the findings of any program evaluations completed during the fiscal year and describes the contribution of non-Federal parties in the preparation of the report.

Some of the following elements and features of an annual report may selectively apply to your agency. Any that do not apply are omitted from your annual report.

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(a) Program evaluations.

Include a summary of the findings and recommendations of the program evaluations completed during the fiscal year. If no evaluations were completed, the report should note such.

At a minimum, an annual report covers two types of program evaluation: assessments of the manner and extent to which programs achieve intended objectives, and assessments of program implementation policies, practices, and processes. An agency's strategic plan sets out its schedule for doing program evaluations. Changes to this schedule are shown in the interim adjustment to the strategic plan. An interim adjustment may be prepared annually and is a separate part of the annual plan. (See section 210.11 on program evaluations generally, and also see subsection 210.2(d) regarding interim adjustments to a strategic plan.)

An annual report may also summarize findings and recommendations from other analyses or studies completed during the fiscal year. These studies and analyses can include policy, program, or management analyses, comprehensive reviews, cost-benefit studies, research to provide baseline data, or demonstration research. These studies and analyses supplement program evaluations and are described in the annual plan (see also subsection 220.5(f)).

The annual report should note the availability of a complete copy of a program evaluation and how this might be obtained by an interested party.

(b) Information on use of non-Federal parties.

GPRA states that preparation of an annual report is an inherently government function. Your agency's employees are solely responsible for the transmitted copy of an annual report. However, when preparing your report, your employees may be aided by non-Federal parties, such as consultants, grantees, contractors, States, and local governments. Assistance by non-Federal parties can include the collection and reporting of performance data. The report should include an acknowledgment of the role and a brief description of any significant contribution made by a non-Federal entity in preparing report.

(c) Classified appendices not available to the public.

An agency with a classified appendix for its annual plan may also prepare a similar classified appendix for its annual report. (See section 220.14 for a description of material that may be included in a classified appendix.)

With OMB approval, an agency may also prepare a non-public appendix for its annual plan. In the annual plan, a non-public appendix contains certain goals for law enforcement or revenue collection activities, where revealing these goals publicly would likely impede their achievement. Generally, agencies should not need to prepare a similar non-public appendix to their annual report. Retrospective reporting of actual performance for these particular goals should not interfere with achieving current or future goals for these activities. However, if an agency believes that reporting of actual performance will impede current or future goal achievement, a non-public appendix may be prepared. The agency should contact its OMB representative for approval prior to preparing such an appendix.

(d) Budget information.

In your annual report, you should include relevant budget information, consistent with the obligation amounts shown in the Budget Appendix for the fiscal year covered by the report. As resource amounts are generally covered in the means and strategies part of the annual plan, the annual report does not present comparisons between the amounts originally requested for a fiscal year and the amounts actually obligated.

(e) Analysis of tax expenditures.

Tax expenditures are attributable to provisions of the Federal income tax laws that allow a special exclusion, exemption, or deduction from gross income or that provide a special credit, rate of tax, or deferral of tax (2 U.S.C. 622). An annual report must include the results of any tax expenditures analysis the agency completed during the fiscal year. These analyses assess the effect of specific tax expenditures in achieving performance goals. Nearly every agency preparing an annual report for FY 2001 is unaffected by this reporting requirement, as current responsibility for preparing these analyses is very limited.

(f) Waivers of administrative requirements.

Section 5 of the Results Act allows agencies to receive waivers from administrative requirements and controls. These waivers are intended to provide managers and organizations with greater flexibility, discretion, and authority, in the expectation this will lead to improved performance. An agency receiving such a waiver must describe, in its annual report, the use of this waiver and assess its effectiveness in achieving performance goals. No waivers were authorized for FY 2001, and no agency annual report for FY 2001 will include this description and assessment.

232.3 Format

There is no prescribed format for the annual report. Your agency is encouraged to include, from your strategic plan, a summary of your mission statement and your general goals and objectives.

The annual report is your opportunity to communicate the results of your programs and activities to the American public, legislators, and Executive branch officials. Your agency should produce a report that is easily read and understood, and direct and concise in the information it conveys. While an annual report is not a matter of style substituting for substance, the mode of presentation can be critical to an informative report. Agencies are encouraged to write their report using plain language; for information, see <http://www.plainlanguage.gov>

The report's design should provide for easy and quick access through the WorldWideWeb.

232.4 Comparing actual performance to the performance goal target levels.

Summary of Requirement: The annual program performance report states the actual level of performance for every performance goal, and compares it to the target performance levels for these goals in the annual performance plan.

(a) In general.

Your agency's annual report compares the target level of performance for each goal as set out in your annual plan with the actual level of performance. The target levels are those shown in either the final plan or the revised final plan; whichever is the most current.

Your agency's annual report must state the actual performance for every performance goal in your annual performance plan. (See section 232.5 if actual performance information is not available when the annual report is submitted.)

Actual performance is reported as it occurred during the fiscal year covered by the report. For some programs, this performance may have resulted from spending prior year monies during the fiscal year. (See section 220.10 on performance goals funded by prior year monies.) If the annual plan contains a goal(s) set on a calendar year basis, actual performance is also reported on a calendar year basis.

The annual report includes actual performance for any goals that were discontinued after the fiscal year covered by the report. Discontinued goals should be noted.

For some performance goals, the target levels will differ between the final plan and the revised final plan. An agency may choose to compare its actual performance to both target levels, but this is not encouraged.

Such a presentation may complicate how information appears in the annual report and likely necessitate an explanation for why at least one of the two target levels was not met.

(b) Omitting reporting on certain performance indicators.

An agency need not include actual performance information for a performance indicator if the performance goal(s) associated with the indicator(s) is directly measurable. If performance indicators are critical to determining whether a performance goal was achieved, the actual performance for these indicators must be presented. (See subsection 220.9(b) for a further description on the use of performance indicators.) Reporting may be omitted only if a performance indicator was so identified in the annual plan. If an agency collectively categorized its performance goals and indicators as performance measures, or did not separately list performance goals and performance indicators, then such entries are treated as performance goals and must be covered in the annual report.

(c) Reporting on performance goals that were defined using the alternative form.

If the alternative form (i.e., a non-quantified measure) is used to define a performance goal in the annual plan, the annual report matches actual performance to the corresponding performance criteria set out in the form. The description of actual performance must allow an accurate, independent determination to be made of whether such performance met the criteria specified in the form, or how it otherwise compared to the goal as stated. (See section 220.15 on the alternative form of measurement.)

For some performance goals expressed in the alternative form, agencies should include illustrative examples of achievements occurring during the fiscal year. Examples can highlight, in a tangible way, what results were produced. Examples may be particularly appropriate for research and development goals, where criteria may be generalized and results cannot be predicted beforehand. For these and other programs, the examples can also indicate the nature of the results considered by evaluators when gauging whether the criteria for a certain level of performance were met. Examples can reflect major accomplishments or a representative set of achievements.

232.5 Unavailability of actual performance information.

Summary of Requirement: When performance data are unavailable at the time an annual report is prepared, the performance information, the comparison to performance goal target levels, and any appropriate explanation, is included in a subsequent year's annual report.

(a) In general.

At the time a performance report is sent to the President and Congress, actual performance information may not be available, or the available information may be incomplete or preliminary. The annual report should identify those performance goals where actual performance information is missing, incomplete, or preliminary. For such goals, the annual report should indicate the approximate date when actual performance information, sufficient to make an accurate comparison with performance goal target levels, will be available.

Once available, the actual performance information is included in a subsequent annual report.

If actual performance information for the fiscal year is unavailable for a performance goal, agencies are encouraged to include, for reference purposes, performance information from an earlier fiscal year. This information can be helpful in defining baselines or showing trends. For the annual report for FY 2001, relevant performance information for fiscal years 1997 and 1998 may be included. Actual performance information for FY 1999 and 2000, if available, must be included in the FY 2001 annual report (see section 232.9). (See also section 221.2 on including actual performance information for these fiscal years in the annual plan.)

When actual performance information is available, but analyses of this data, such as the explanation for an unmet goal or a description of steps being taken to meet an unmet goal in the future, cannot substantively be completed by the time of transmittal, the data are included in the report as preliminary, and the analyses are omitted. The following year's annual report will include the data and the deferred analyses.

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If the actual performance information included in the annual report is characterized as preliminary (see subsection 232.6(d)), the comparison between actual and target performance is deferred until a future year's report. You should note that your annual plan includes this actual performance information, but omits comparisons between actual and target performance, or any associated analysis.

(b) Displaying previously omitted prior year performance information in a subsequent annual report.

Annual reports include performance goals for a prior fiscal year where the comparison between actual performance and target levels was deferred from a prior report because of missing or limited performance data, or the analysis could not be completed in time. For these performance goals, the presentation in the future year annual report must meet all applicable requirements, including an explanation for why a goal was not met.

The annual report should present this information in a separate section, with the section subdivided, as necessary, by fiscal year. For example, the prior year section in an agency's FY 2003 performance report is subdivided into separate sections for FY 2000 and 2002 to cover deferred coverage of performance goals in the annual reports for these two years. Particular care should be taken when presenting a prior year section in a combined program performance report and accountability report.

232.6 Providing an explanation for non-achievement of a performance goal.

Summary of Requirement: The annual program performance report must include an explanation for why a performance goal was not met.

(a) In general.

If a performance goal or indicator was not achieved, your annual report must explain why the target level was not met. The extent of your explanation may vary, depending on how non-achievement affected the program or activity.

You need not explain why the target level for a performance goal was exceeded. However, you are encouraged to include an explanation in your annual report if the target level was exceeded by a significant extent. This information can be useful in understanding a program or your management of that program.

(b) The specific explanation.

A specific explanation is included if goal non-achievement is significant and material. A specific explanation should show an understanding of why a performance shortfall occurred, and the consequences. The specific explanation should also support actions you are taking to eliminate or reduce future shortfalls for this goal. A specific explanation should not cover more than one unmet goal.

No hard and fast rule or threshold exists for when non-achievement of a goal warrants a specific explanation. The need for a specific explanation may depend on how precisely the performance target was set, the variance from previous year performance trends, and the relative effect of any shortfall. For example, a one percent deviation between actual and planned performance might be trivial or critical depending on the program.

Agencies may apply the following criteria when determining if a specific explanation is required. A specific explanation should always be provided if:

- The manager(s) of the program, activity, or component experiencing a performance shortfall alerts or informs senior agency officials about actual performance levels, and the implications of these levels on overall program accomplishment; or
- The manager(s) took or is taking substantive action to address the shortfall in performance; or
- Performance levels for future years are being adjusted downward to reflect actual performance levels; or
- Outside parties will likely conclude that the non-achievement was significant and material.

(c) The generic explanation.

You must provide an explanation even if the difference between the goal target level and actual performance is slight. This explanation may be generic and used for several or more unmet goals. A generic explanation may not be used if an agency is changing the target levels for an underachieved goal, or is taking additional or modified steps to assure future goal achievement.

In most instances, minimal differences result from goals being set months in advance and to an approximate level of precision. An agency may use the following language for its generic explanation: the performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

(d) Deferring an explanation.

An agency may defer providing an explanation where the performance data are preliminary, and, based on the experience of previous years, subject to significant correction. The deferral should be noted in the annual report. An explanation, if still needed, is provided in a future year performance report that includes the performance goal for which only preliminary data was initially available.

232.7 Agency plans and schedules for achieving an unmet goal in the future

Summary of Requirement: The annual program performance report describes the actions an agency will take to meet an unmet goal in the future, and a schedule for these actions. An agency may recommend that an unmet goal be modified or discontinued.

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For every performance goal whose target level was not achieved, an agency includes a description of the actions it is taking to achieve the goal in the future. A schedule for these actions is also included. The actions and schedule may span both the current fiscal year and future fiscal years.

The actions and schedule should also be included in the means and strategies section of the agency's annual plan (see section 220.11). If an annual report is completed after the final plan, agencies may find it appropriate to use the means and strategies section of a revised final plan for this purpose. The description of these actions is not required for any unmet performance goal for which the agency provided a generic explanation (see subsection 232.6(c)).

A description of the actions being taken, and the accompanying schedule, may be omitted for an unachieved goal where external factors (such as a natural disaster) or entities (such as another country) were the sole cause for non-achievement, and the agency lacks the capacity or authority to affect these factors or entities. The effect of these external factors or entities on non-achievement should be noted in the annual report.

An agency may conclude, based on actual performance, that a performance goal cannot be achieved in the future. For such goals, the annual report explains why a particular goal is no longer practical or feasible, and recommends a course of action for the goal. These actions may include discontinuing or adjusting the goal. Changes to a performance goal may also need to be reflected in the agency's strategic plan (see section 210.9).

232.8 Evaluating performance goal levels in the current year performance plan relative to actual performance during the past fiscal year.

Summary of Requirement: An assessment of the effect of actual performance on expected performance levels in the current fiscal year is included in the annual program performance report.

Your annual report includes an assessment of the effect of actual performance levels in the fiscal year covered by the report on the estimated levels of performance in the current fiscal year. A simple conclusive statement may suffice for this assessment.

As you prepare your annual report, the performance information you collect may be used to make further adjustments to your annual plan for the current fiscal year. You may modify the performance goals or the means and strategies in a revised final plan. You may do so if actual performance information is available near the end of the fiscal year covered by the annual report. These adjustments are made at the time a revised final plan is prepared, which is usually several months in advance of the transmittal of an annual report. The annual report should identify every change to performance goals in the performance plan for the current fiscal year that primarily stem from this assessment of effects. (See section 220.18 on the revised final plan.)

The annual report may be used as a basis for revising the performance goals, the means and strategies, or verification and validation elements in either the final plan or the revised final plan for the budget year. (While the annual report appears midway through the current fiscal year, this date may be close to the

completion of a final plan, and is about six months prior to when a revised final plan for the budget year is prepared.)

232.9 Including trend data in the annual program performance report.

Summary of Requirement: Over time, agencies are required to include additional years of actual performance information until the annual report covers a minimum of four fiscal years. Three years of actual performance information are required for the FY2001 report, and four years of information will be included in the reports for FY 2002 and future years.

Your annual report will eventually include actual performance information for at least four fiscal years. Beginning with the annual report for fiscal year 2000, more than one year of actual performance information will be presented until four years of information -- the fiscal year covered by the report plus the three preceding fiscal years -- are included. The fiscal year 2001 report will include actual performance information for fiscal years 1999, 2000, and 2001; and the fiscal year 2002 report will include actual performance information for fiscal years 1999, 2000, 2001, and 2002.

Agencies may cease reporting actual performance information for prior years for any goal that is discontinued. However, at least one annual report must contain actual performance information for a discontinued goal (see subsection 232.4(a)). Agencies should not change actual performance information for prior year performance goals from what was presented in the annual reports for these prior years.

Comparisons between actual performance and performance goal target levels are not included for prior fiscal years, unless the comparison was deferred because of the unavailability or inadequacy of the performance data in a prior year's annual report, or the analysis of actual performance was not completed.

Agencies having actual performance information for fiscal year 1998 are encouraged to include this information in their annual report for fiscal year 2001. (See also section 232.5 on unavailability of actual performance information and section 221.2 on including prior year actual performance information in the FY 2003 annual plan.) Agencies are encouraged to include actual performance information from an earlier fiscal year if this would be useful in showing long-term trends; for example, data from fiscal years 1990 and 1995 could provide a long-term perspective.

232.10 Assessing the completeness and reliability of performance data.

Summary of Requirement: Agencies are required to assess the completeness and reliability of performance data included in the annual report. Any material inadequacies in the completeness and reliability of performance data are described, as well as actions being taken to remedy the inadequacies.

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(a) In general.

The Reports Consolidation Act of 2000 specifies that your annual report contain an assessment of the completeness and reliability of the performance data included in it. The assessment describes any material inadequacies in the completeness and reliability of the data, and any actions the agency can take and is taking to resolve the inadequacies.

Your annual plan is the principal document for describing how an agency intends to verify and validate the performance data it collects and reports (see section 220.12). This description also covers those specific actions being taken by an agency during the current or a future fiscal year to improve the quality and value of the data, including its completeness and reliability. The annual report -- rather than the annual plan -- should summarize any completed steps to improve the quality and value of performance data during the fiscal year covered by the report.

(b) Assessment of data completeness.

The performance data in an annual report is considered complete if:

- Actual performance is reported for every performance goal and indicator in the annual plan, including preliminary data if that is the only data available when the annual report is sent to the President and Congress (see section 232.5 on unavailability of performance information); and
- The agency identifies, in the report, any performance goals and indicators for which actual performance data are not available at the time the annual report is transmitted, and notes that the performance data will be included in a subsequent annual report. (Agencies are encouraged to pre-announce expected lags in the reporting of performance data in their annual plan (see also subsection 220.12(d)).

An agency should describe the performance data as being incomplete when the data are not available for including in the transmitted report, and there is either a certainty or likelihood that the data will not be available in the future. The performance goals and indicators for which performance data are missing, both currently and in the future, should be identified.

(c) Assessment of data reliability.

Performance data are acceptably reliable when there is neither a refusal nor a marked reluctance by agency managers or government decisionmakers to use the data in carrying out their responsibilities. Performance data need not be perfect to be reliable, and the cost and effort to secure the best performance data possible can exceed the value of any data so obtained.

Performance data that is not acceptably reliable is characterized as being materially inadequate. The annual report should identify any performance goals and indicators for which the available performance data are materially inadequate, along with a brief reason for why the data are inadequate.

The annual report should briefly cite any actions being taken by the agency to remedy a material inadequacy, and refer the reader to the annual plan for a fuller description of these steps (see section 220.12(c)).

d. Quality of the reported performance information.

An agency may also include a brief commentary on the general, overall quality of the actual performance information contained in the annual report. This can describe particular characteristics, issues, or problems related to collection and reporting of actual performance information for the fiscal year covered by that report. Accuracy and validity of the data can also be covered. The description can include the time available to collect and analyze the actual performance data prior to transmittal of the report, and the effect of the reporting schedule on data collection, analysis, and presentation. The annual report description may cover data sources. (See also section 220.12 on verification and validation.)